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Department of the Treasury
Internal Revenue Service

Publication 524
(Rev. Nov. 80)

Credit for the Elderly

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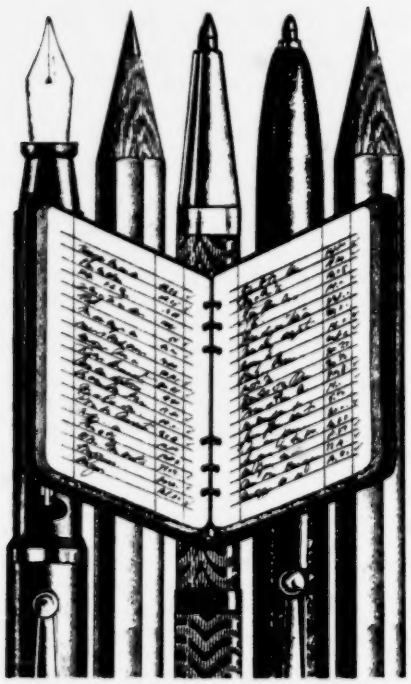
For use in preparing
1980 Returns



You can get the tax forms and publications referred to in this publication by writing to the IRS Forms Distribution Center listed in your Form 1040 or 1040A Instructions. Or, you can call the Tax Information number in the phone book listed under "United States Government, Internal Revenue Service."

Introduction

This publication explains how to figure the credit for the elderly. You may claim this credit if you are 65 or older, or if you are under 65 and receive a taxable pension or annuity from a public retirement system. You figure the credit on Schedules R & RP (Form 1040) and claim the credit on line 39, Form 1040. You may ***not*** take the credit if you file Form 1040A.

The Internal Revenue Service will figure your tax and credit. You may choose to have the Internal Revenue Service figure your federal income tax if:

1) Your income on line 31, Form 1040, is $20,000 or less ($40,000 or less if you are married filing a joint return or a qualifying widow or widower), and
2) All of your income is from wages, salary, tips, interest, dividends, pensions, or annuities, and
3) You do not itemize deductions or use Schedule G, *Income Averaging*, or Form 2555, *Deduction from, or Exclusion of, Income Earned Abroad.*

If you choose to have the Internal Revenue Service figure your tax, follow the instructions in your Form 1040 instruction book under *IRS Will Figure Your Tax and Some of Your Credits.* If you qualify for the credit for the elderly, the Internal Revenue Service will figure the credit for you. On Schedule R or Schedule RP, fill in your name and social security number. On Schedule R, check the box for your filing status and age and fill in line 2a. On Schedule RP, enter the name of the public retirement system. Also check the box for your filing status and age and fill in lines 2 and 5. Attach the Schedule R or the Schedule RP to your Form 1040 and write "CFE" on line 39, Form 1040.

Persons Age 65 or Older

If you are 65 or older, you figure your credit on Schedule R (Form 1040).

Do You Qualify for the Credit?

You must be 65 or older before the end of the tax year to qualify. You are considered 65 on the day before your 65th birthday.

If you are 65 or older but your spouse is under 65 and receives a taxable pension or annuity from a public retirement system, you and your spouse may figure your credit on Schedule R, or you both may choose to figure your credit on Schedule RP. Schedule RP is discussed later under *Persons Under Age 65.* You should figure your credit on Schedule R and on Schedule RP to see which gives you a larger credit.

Married taxpayers. If you are married at the end of the tax year, you and your spouse must file a joint return to claim the credit. However, if you and your spouse were not members of the same household at any time during the tax year, you may file either a joint return or separate returns and still take the credit.

You must be a U.S. citizen or resident to claim the credit. You may not claim the credit if you were a nonresident alien at any time during the tax year. However, if you are a nonresident alien who is married to a U.S. citizen or resident and you choose to file a joint return and be taxed on your worldwide income, you may claim the credit.

If you were a nonresident alien at the beginning of the year and a resident or citizen at the end of the year, and you were married to a U.S. citizen or resident at the end of the year, you may choose to be treated as a U.S. resident. See Publication 519, *U.S. Tax Guide for Aliens.*

You will not be able to claim the credit if:

You are single, a head of household, or a qualifying widow or widower and receive $2,500 or more from nontaxable pensions and annuities, or have adjusted gross income of $12,500 or more, or

You are married filing a joint return, only one of you is 65 or older, and together you receive $2,500 or more from nontaxable pensions and annuities, or have adjusted gross income of $15,000 or more, or

You are married filing a joint return, both of you are 65 or older, and together you receive $3,750 or more from nontaxable pensions and annuities, or have adjusted gross income of $17,500 or more, or

You are married filing a separate return and you and your spouse were not members of the same household at any time during the tax year, and you receive $1,875 or more from nontaxable pensions and annuities, or have adjusted gross income of $8,750 or more.

Note: In addition, you will not be able to claim the credit if the total of your nontaxable pensions and annuities plus your adjusted gross income limit is more than your initial amount of income used to figure your credit. These items are explained in the following part.

How to Figure the Credit

To figure your credit for the elderly on Schedule R you need to know the initial amount of income used to figure your credit, your nontaxable pensions and annuities, and your adjusted gross income limit.

The initial amount of income used to figure your credit is:

$2,500 if you are single, a head of household, or a qualifying widow or widower, or

$2,500 if you are married filing a joint return and only one of you is 65 or older, or

$3,750 if you are married filing a joint return and both of you are 65 or older, or

$1,875 if you are married filing a separate return and you and your spouse were not members of the same household at any time during the tax year.

Nontaxable pensions and annuities. You must reduce the initial amount of income used to figure your credit by the total amount of certain nontaxable payments received. If you are married filing a joint return, you must re-

duce the initial amount of income used to figure your credit by the total amount of these nontaxable payments received by both you and your spouse.

Reduce the initial amount of income used to figure your credit by the total amount of the following:

Pension or annuity payments that are not taxed. Do not include amounts you received as workmen's compensation or accident and health benefits,

The monthly payments from a matured U.S. Government life insurance endowment contract. Do not include amounts you paid for the contract,

Railroad retirement pension payments. Do not include supplemental annuities,

Social security payments. This includes the gross amount of social security benefits before deducting any amounts that are withheld to pay premiums on supplementary Medicare insurance. Do not include a lump-sum death benefit payment you may receive as a surviving spouse, or a surviving child's insurance benefit payments you may receive as a guardian. If you are married filing a separate return and either you or your spouse or both of you live in a community property state, your social security benefits will be separate or community property as determined by the community property laws of that state.

Do not reduce the initial amount of income used to figure your credit by any of the following:

Amounts that are treated as a return of your cost of an annuity or pension,

Compensation for injury or sickness,

Disability pensions, including Veterans Administration service-connected disability compensation,

Payments from accident or health insurance policies,

Basic or supplementary Medicare benefits,

Amounts paid by or for an employer to the estate or to the beneficiaries of an employee,

Amounts received by beneficiaries of an employees' trust,

Death compensation paid by the Veterans Administration to the surviving spouse of a veteran who died from sickness or injury incurred in active service,

Life insurance payments received when the insured person dies, including the amount discussed under *Insurance Received in Installments* in Publication 550, *Investment Income and Expenses*.

Adjusted gross income limit. You must reduce the initial amount of income used to figure your credit if your adjusted gross income (line 32, Form 1040) is more than:

$7,500 if you are single, a head of household, or a qualifying widow or widower, or

$10,000 if you are married filing a joint return, or

$5,000 if you are married filing a separate return and you and your spouse were not members of the same household at any time during the tax year.

If your adjusted gross income is more than the amount shown for your filing status, you figure your adjusted gross income limit on lines 2b through 2e of Schedule R.

Schedule R

If you are 65 or older, use Schedule R to figure your credit for the elderly. Put your name and social security number in the space at the top of Schedule R.

Complete Schedule R in the following way.

Check the filing status and age box that applies to you.

Enter on line 1 the initial amount of income used to figure your credit.

Enter on line 2a the total amount of nontaxable pensions and annuities you receive. If you are married filing a joint return, the amount you enter on line 2a is the total amount of these nontaxable items both you and your spouse receive.

Enter on line 2b the amount from line 32, Form 1040.

On line 2c enter $7,500 if you checked box A; $10,000 if you checked box B or C; or $5,000 if you checked box D.

Subtract line 2c from line 2b and enter the result on line 2d. If line 2c is more than line 2b, enter zero on line 2d.

On line 2e enter half of line 2d.

Add lines 2a and 2e. Enter this amount on line 3 and subtract it from line 1. Enter the result on line 4.

Multiply line 4 by 15% and enter the result on line 5.

Enter on line 6 the tax shown on line 37, Form 1040. Your credit cannot be more than your tax.

Enter on line 7 the amount from line 5 or line 6, whichever is less. This is your credit. Enter it on line 39, Form 1040. Be sure to attach Schedule R to your Form 1040 when you file your return.

Example 1. John Ash is single and 68 years old. He receives the following income for the year:

Social security pension	$1,920
Interest (taxable)	215
Pension (taxable part)	3,600
Wages from a part-time job	4,045

John's adjusted gross income is $7,860 ($4,045 + $3,600 + $215) and his tax on line 37, Form 1040, is $580. John figures the credit as follows:

Initial amount of income used to figure his credit		$2,500
Subtract the total of:		
Nontaxable pensions and annuities (social security pension)	$1,920	
Adjusted gross income limit (($7,860 − $7,500) × 2)	180	2,100
Balance		$ 400
Tentative credit (15% of $400)		$ 60
Tax from line 37, Form 1040		$ 580
Credit for the Elderly		$ 60

John's credit is $60 because that is less than the $580 tax on line 37 of his Form 1040. See the filled-in Schedule R in this publication.

Example 2. You are 66 years old and your spouse is 64. Neither you nor your spouse receives a taxable pension or annuity from a public retirement system. You file a joint return on Form 1040. Your adjusted gross income is $9,630 and your tax on line 37, Form 1040, is $474. Together you receive $1,900 from social security. You figure the credit as follows:

Initial amount of income used to figure your credit		$2,500
Subtract the total of:		
Nontaxable pensions and annuities (social security pension)	$1,900	
Adjusted gross income limit	−0−	1,900
Balance		$ 600
Tentative credit (15% of $600)		$ 90
Tax from line 37, Form 1040		$ 474
Credit for the Elderly		$ 90

You do not deduct any of your adjusted gross income from the initial amount of income used to figure your credit because your adjusted gross income is less than $10,000. Your credit is $90 because that is less than the $474 tax on line 37 of your Form 1040. Enter $90 on line 39, Form 1040.

Persons Under Age 65

If you are under 65, you figure your credit on Schedule RP (Form 1040).

Do You Qualify for the Credit?

You must be under 65 at the end of the tax year and receive a taxable pension or annuity from a public retirement system. The taxable pension or annuity you receive from a public retirement system must result from your services or from the services of your spouse. You are considered 65 on the day before your 65th birthday.

Spouse 65 or older. If you are under 65 and receive a taxable pension or annuity from a public retirement system but your spouse is 65 or older, you and your spouse may figure your credit on Schedule R, or you both may choose to figure your credit on Schedule RP. If you are married filing a joint return, you make this choice by checking filing status and age box B on Schedule RP. If you are married filing a separate return, you make this choice by checking filing status and age box D, if you are the spouse under 65, or box E, if you are the spouse 65 or older. You should figure your credit on Schedule R and on Schedule RP to see which gives you a larger credit.

Married taxpayers. If you are married at the end of the tax year, you and your spouse must file a joint return to claim the credit. If you and your spouse were not members of the same household at any time during the

Schedules R&RP—Credit for the Elderly

(Form 1040)

Department of the Treasury
Internal Revenue Service

▶ See Instructions for Schedules R and RP.
▶ Attach to Form 1040.

1980

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Name(s) as shown on Form 1040: JOHN ASH

Your social security number: 111 | 11 | 1111

Please Note: *IRS will figure your Credit for the Elderly and compute your tax. Please see "IRS Will Figure Your Tax and Some of Your Credits" on page 3 of the Form 1040 instructions and complete the applicable lines on Form 1040 and Schedule R or RP.*

Should You Use Schedule R or RP?

If you are:	And were:	Use Schedule:
Single	▶ 65 or over	R
	▶ under 65 and had income from a public retirement system	RP
Married, filing separate return [1]	▶ 65 or over (unless joining in the election to use Schedule RP with your spouse who is under 65 and had income from a public retirement system)	R
	▶ under 65 and had income from a public retirement system (unless your spouse is 65 or over and does not join in the election to use Schedule RP)	RP
Married, filing joint return	▶ both 65 or over	R
	▶ one 65 or over, and one under 65 with no income or income other than from a public retirement system	R
	▶ both under 65 and one or both had income from a public retirement system	RP
	▶ one 65 or over, and one under 65 with income from a public retirement system	R or RP [2]

[1] You can take the credit on a separate return ONLY if you and your spouse lived apart for the whole year. See "Purpose" in Schedules R&RP instructions for limitation.

[2] Figure your credit on both schedules to see which gives you more credit.

Schedule R — Credit for the Elderly—For People 65 or Over

If you received nontaxable pensions (social security, etc.) of $3,750 or more or your adjusted income (Form 1040, line 32) was $17,500 or more, you cannot take the credit for the elderly. Do not file this schedule.

Filing Status and Age (check only one box)

- A ☑ Single, 65 or over
- B ☐ Married filing joint return, only one spouse 65 or over
- C ☐ Married filing joint return, both 65 or over
- D ☐ Married filing separate return, 65 or over, and did not live with spouse at any time in 1980

R

1	Enter: $2,500 if you checked box A or B; $3,750 if you checked box C; $1,875 if you checked box D			1	2,500 00
2a	Enter amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a	1,920 00		
b	Enter amount from Form 1040, line 32	2b	7,860 00		
c	Enter: $7,500 if you checked box A; $10,000 if you checked box B or C; $5,000 if you checked box D	2c	7,500 00		
d	Subtract line 2c from 2b. If line 2c is more than line 2b, enter zero	2d	360 00		
e	Enter one-half (½) of line 2d	2e	180 00		
3	Add lines 2a and 2e. (If line 3 is the same or more than line 1, you cannot take the credit; do not file this schedule. If line 3 is less than line 1, go on.)			3	2,100 00
4	Subtract line 3 from line 1			4	400 00
5	Multiply line 4 by 15% (.15)			5	60 00
6	Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)			6	580 00
7	Enter the amount from line 5 or line 6, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 ▶			7	60 00

tax year, you may file either a joint return or separate returns and still take the credit. However, if you are under 65 and had income from a public retirement system and your spouse is 65 or older, you may not use Schedule RP unless your spouse also chooses to use Schedule RP.

Community property. Married persons filing a joint return should disregard community property laws when figuring the credit for the elderly on Schedule RP. The total of all taxable and nontaxable income used in figuring the credit is considered that of the person who earned the income.

You must be a U.S. citizen or resident to claim the credit. You may not claim the credit if you were a nonresident alien at any time during the tax year. However, if you are a nonresident alien who is married to a U.S. citizen or resident and you choose to file a joint return and be taxed on your worldwide income, you may claim the credit.

If you were a nonresident alien at the beginning of the year and a resident or citizen at the end of the year, and you were married to a U.S. citizen or resident at the end of the year, you may choose to be treated as a U.S. resident. See Publication 519, *U.S. Tax Guide for Aliens.*

How to Figure the Credit

To figure your credit for the elderly on Schedule RP you need to know the maximum amount of retirement income used to figure your credit, your nontaxable pensions and annuities, your earned income, and your retirement income.

The maximum amount of retirement income used to figure your credit is:

$2,500 if you are single, a head of household, or a qualifying widow or widower, or

$1,875 if you are married filing a separate return and you and your spouse were not members of the same household at any time during the tax year, or

$3,750 if you are married filing a joint return.

Note: If you are married filing a joint return, the $3,750 ***must be divided*** between you and your spouse as you may agree, but no more than $2,500 may be used by either of you. You should divide the $3,750 between you in the way that gives you the largest credit.

Nontaxable pensions and annuities. You must reduce the maximum amount of retirement income used to figure your credit by the total amount of certain nontaxable payments received.

Reduce the maximum amount of retirement income used to figure your credit by the total of the following:

Pension or annuity payments that are not taxed. Do not include amounts you received as workmen's compensation or accident and health benefits,

The monthly payments from a matured U.S. Government life insurance endowment contract. Do not include amounts you paid for the contract,

Railroad retirement pension payments. Do not include supplemental annuities,

Social security payments. This includes the gross amount of social security benefits before deducting any amounts that are withheld to pay premiums on supplementary Medicare insurance. If you and your spouse receive monthly social security payments in one check made payable to both, you should subtract only your part of the payment and your spouse should subtract only his or her part of the payment. Do not include a lump-sum death benefit payment you may receive as a surviving spouse, or a surviving child's insurance benefit payments you may receive as a guardian.

Do not reduce the maximum amount of retirement income used to figure your credit by any of the following:

Amounts that are treated as a return of your cost of an annuity or pension,

Compensation for injury or sickness,

Disability pensions, including Veterans Administration service-connected disability compensation,

Payments from accident or health insurance policies,

Basic or supplementary Medicare benefits,

Amounts paid by or for an employer to the estate or to the beneficiaries of an employee,

Amounts received by beneficiaries of an employees' trust,

Death compensation paid by the Veterans Administration to the surviving spouse of a veteran who died from sickness or injury incurred in active service,

Life insurance payments received when the insured person dies, including the amount discussed under *Insurance Received in Installments* in Publication 550, *Investment Income and Expenses.*

Earned income received. If you are under 72, you may have to subtract part of your earned income from the maximum amount of retirement income used to figure your credit.

If you are under 62, subtract your earned income that is more than $900.

If you are 62 or older but under 72, and:

1) Your earned income is more than $1,200 but not more than $1,700, divide your earned income that is more than $1,200 by 2 and subtract this amount, or
2) Your earned income is more than $1,700, subtract your earned income that is more than $1,450.

If you are 72 or older by the end of the year, the earned income limit does not apply to you.

Earned Income

Earned income is wages, salaries, professional fees, and other amounts you receive as compensation for personal services.

Even if the income is not taxed, it is earned income if it otherwise qualifies. For example, income earned abroad is earned income even though you may be able to exclude it from taxable income.

If you are in a profession, trade, or business in which both your services and capital (money or property) are important in producing the income, a reasonable amount, but not over 30%, of your net profit is earned income. If your services are not used to produce the income, none of your net profit is earned income.

If capital is not important in producing the income in your business and all of your profits are from your services, your net profit from self-employment is earned income. This generally applies to self-employed people who do not require inventories, such as house painters, plumbers, and barbers. It also applies to doctors, dentists, and other professionals, even if they invest a large amount of capital in office and professional equipment, because the professional fees they receive are for their professional services.

Interest, dividends, royalties, pensions, annuities, and capital gains generally are not earned income.

Disability annuity payments. If you are under 65 at the end of your tax year, disability annuity payments you receive may be earned income. See *Disability annuity payments* under *Retirement Income.*

Rental income generally is not earned income. However, if you perform services that are an important part of producing the rental income, you include as earned income up to 30% of your net profit (not gross rent) from the rental property. Thus, if you repair and maintain property, or provide services to the tenants, your services may be an important part of producing the rental income. However, if you do not provide services, no part of your rental income is earned income.

Example. You are 65 and your spouse is 62. Because your spouse receives a pension from a public retirement system, you and your spouse choose to figure your credit on Schedule RP. During the year, you receive $6,480 in rent from property. Your expenses, including depreciation, are $3,100, leaving you a net profit of $3,380. If you take 25% of your net profit as earned income, your earned income is $845 (25% of $3,380). The balance of your gross rent, $5,635, is retirement income.

Retirement Income

If you use Schedule RP, you must determine whether you have retirement income during the year. Retirement income includes different items for those persons who are under 65, and for those who are 65 or older.

If you are under 65, retirement income includes only the taxable part of a pension or annuity that you receive from a public retirement system.

Public retirement systems are established by the United States, a state, a territory, or a possession of the United States, their political subdivisions, or the District of Columbia. Re-

tired federal, state, or local government employees, armed forces personnel, public school teachers, and members of the police and fire departments are under public retirement systems. Fleet reserve members of the Navy and Marine Corps who draw retainer pay are under a public retirement system.

Survivor annuity payments from a public retirement system are retirement income.

Disability annuity payments. If you retired on disability under a public retirement system and you are under 65 at the end of your tax year, your disability annuity payments may be earned income and not retirement income. Disability annuity payments are earned income unless they are for periods after the date on which you reach minimum retirement age (the age at which you may retire whether or not you are disabled) and:

1) You received the payments for a period after you reached mandatory retirement age (the age set by your employer at which you must retire), or
2) You were not permanently and totally disabled when you retired, or
3) You have chosen to treat your disability income as a pension or annuity. Once you make this choice, you may not change it.

See Publication 522, *Disability Payments,* for information on the disability income exclusion.

If you are 65 or older before the end of your tax year, your retirement income includes the following:

Ordinary dividends, but only the taxable part,

Interest income if it is taxable,

Gross rents that are not earned income,

Your distributive share of a partnership's taxable income from interest, dividends, and rents. Your retirement income includes your distributive share of partnership gross rents and not just your share of net income from rents,

Your share of taxable interest, dividends, and rents from an estate or trust,

The taxable part of pension and annuity income, including amounts received by a self-employed individual from a qualified trust,

Income from certain U.S. bonds bought under a qualified retirement or pension plan,

Income from qualifying individual retirement arrangements (IRA's).

Retirement income does not include:

Capital gain distributions from a mutual fund,

Wages, salaries, and other earned income,

Income from your business,

Royalties from literary, musical, or artistic works, letters and memoranda, and similar properties, or royalties from an invention, or from oil, gas, and mineral properties.

Schedule RP

If you are under 65 and receive a taxable pension or annuity from a public retirement system, use Schedule RP to figure your credit for the elderly. Put your name and social security number in the space at the top of Schedule RP.

Complete Schedule RP in the following way.

Enter the name of your public retirement system. If you are married filing a joint return, enter the name of the public retirement system of the spouse under 65. If both you and your spouse are under 65 and receive a taxable pension or annuity from a public retirement system, enter the names of both public retirement systems and identify the husband's with (H) and the wife's with (W).

Check the filing status and age box that applies to you.

Enter on line 1 your maximum amount of retirement income used to figure your credit.

Enter on line 2a the amount of your nontaxable pensions and annuities. On line 2b, enter the amount of your excess earned income.

Add lines 2a and 2b. Enter this amount on line 3 and subtract it from line 1. Enter the result on line 4.

Enter the amount of your retirement income on line 5a if you are under 65, or on line 5b if you are 65 or older.

Enter on line 6 either the amount from line 4 or your retirement income from line 5a or 5b, whichever is less.

Add the amounts on line 6, columns (a) and (b), and enter the total on line 7.

Multiply line 7 by 15% and enter the result on line 8.

Enter on line 9 the tax shown on line 37, Form 1040. Your credit cannot be more than your tax.

Enter on line 10 the amount from line 8 or line 9, whichever is less. This is your credit. Enter it on line 39, Form 1040. Be sure to attach Schedule RP to your Form 1040 when you file your return.

Example 1. Bill White is 65. His wife Helen, 58, receives a taxable pension of $2,075 from a public retirement system. Neither Bill nor Helen receives a nontaxable pension or annuity. Their joint return shows adjusted gross income of $20,374.33 and tax on line 37 of $2,595.

Bill and Helen would have no credit for the elderly if they used Schedule R to figure the credit for persons 65 or older because their adjusted gross income is not less than $15,000. Instead they choose to figure their credit on Schedule RP, because Helen is under 65 and receives a pension from a public retirement system. They make the choice by checking box B on Schedule RP.

Bill and Helen must divide the $3,750 maximum amount of retirement income used to figure their credit. Because Bill's earned income is high, they decide that Helen will use $2,500 and that Bill will use the remaining $1,250. They enter these amounts on line 1 in column (a) for Bill and column (b) for Helen.

They enter "0" on line 2a because they do not receive any nontaxable pensions or annuities. On line 2b they enter the earned income that is in excess of the maximum amount allowed.

Bill's earned income is as follows:

Salary	$10,284.20
Excess reimbursement from employer	125.00
Photography contest prize	50.00
Jones Partnership (capital is important in producing the income) 30% of $4,642.50	1,392.75
Total	$11,851.95

Because Bill is over 62 and under 72, he subtracts $1,450 from his earned income of $11,851.95 and enters the balance of $10,401.95 on line 2b(ii).

Helen has earned income of $1,400 from the Gateway Travel Agency partnership. Because she is under 62, she subtracts $900 from her earned income of $1,400 and enters the balance of $500 on line 2b(i).

Bill subtracts the $10,401.95 from the $1,250 on line 1 and shows a zero balance on line 4. He does not complete the rest of the lines in column (a).

Helen subtracts the $500 from the $2,500 on line 1 and shows the balance, $2,000, on line 4. On line 5a she enters her retirement income of $2,075. She enters $2,000 on line 6, because this is less than her retirement income.

Bill and Helen complete Schedule RP. They figure a credit for the elderly of $300 (15% of $2,000). Because this is less than the tax shown on line 37, Form 1040, they enter it on line 10, Schedule RP, and on line 39, Form 1040. Bill and Helen's Schedule RP is shown at the end of this publication.

Example 2. Jane Oak, 63 and single, is a retired federal employee. Her retirement annuity is $7,180 and is fully taxable. She does not receive any nontaxable pensions or annuities. Jane has $1,600 earned income from a part-time job. Her adjusted gross income is $8,780 and her tax on line 37, Form 1040, is $934. She figures her credit as follows:

Maximum amount of retirement income used to figure her credit		$2,500
Subtract the total of:		
Nontaxable pensions and annuities	$-0-	
Excess earned income (($1,600 − $1,200) ÷ 2)	200	200
Balance		$2,300
Retirement income		$7,180
Tentative credit (15% of $2,300)		$ 345
Tax from line 37, Form 1040		$ 934
Credit for the Elderly		$ 345

Name(s) as shown on Form 1040: BILL AND HELEN WHITE | Your social security number: 111 : 11 : 1111

Schedule RP **Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System** 22

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s): HOMETOWN RETIREMENT SYSTEM

Filing Status and Age (check only one box)

- A ☐ Single, under 65
- B ☑ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 24 of the instructions.)
- C ☐ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 24 of the instructions.)
- D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1980.
- E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1980, and you are joining with your spouse in electing to use Schedule RP.

RP

Column (b)—Fill out column (b) whether you file a separate or joint return.
Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:
- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)		(b)	
1	Enter: $2,500 if you checked box A; $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income; $1,875 if you checked box D or box E	1,250	00	2,500	00
2	Enter:				
a	Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a -0-		-0-	
b	Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 24 of instructions for definition of earned income.):				
(i)	If you are under 62, enter earned income that is over $900	2b(i)		500	00
(ii)	If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero. If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200. If earned income is over $1,700, enter the amount over $1,450	2b(ii) 10,401	95		
3	Add lines 2a and 2b	3 10,401	95	500	00
4	Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4 -0-		2,000	00
5	Retirement income:				
a	**If under 65—** Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a		2,075	00
b	**If 65 or over—** Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part II, column (b), line 8. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b			
6	Enter amount from line 4 or line 5, whichever is less	6		2,000	00
7	Add amounts in columns (a) and (b) of line 6. Enter total here ▶		7	2,000	00
8	Multiply line 7 by 15% (.15)		8	300	00
9	Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)		9	2,595	00
10	Enter the amount from line 8 or line 9, above, whichever is less. This is your **Credit for the Elderly.** Enter the same amount on Form 1040, line 39 ▶		10	300	00